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RECEIVED  
WISCONSIN COMMISSIONER  
OF INSURANCE

Writer's Direct Dial: 608.283.2434  
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September 13, 2004

**BY HAND DELIVERY**

Roger A. Peterson, Director  
Bureau of Financial Analysis and Examinations  
Office of the Commissioner of Insurance  
125 South Webster Street  
Madison, WI 53707-7873

**RE: Physicians Insurance Company of Wisconsin, Inc. ("PIC Wisconsin")**

Dear Roger:

Following up on my letter of September 9, 2004, enclosed for filing pursuant to Wis. Admin. Code § Ins 6.40(7)(c) are two definitive copies of each of the revised Notice of Special Meeting of Shareholders, Amended Proxy Statement, revised proxy form, Revised 2004 PIC Wisconsin Shareholder Value Plan Summary, and cover letter from the Vice Chair of PIC Wisconsin's Board of Directors. These documents have not changed from the versions filed with my September 9 letter. PIC Wisconsin plans to mail these items to its shareholders today, and add them to its informational shareholder value plan web site, which is located at [www.svp.picwisconsin.com](http://www.svp.picwisconsin.com).

If you have any questions about these filings, please contact Dave Maurer at PIC Wisconsin (831-8331, extension 1210), Jeff Bartell (283-2432), or me. Thanks for your consideration.

Very truly yours,

QUARLES & BRADY LLP

William J. Toman

WJT:bxh  
Enclosures  
740266.00004

cc(w/enc.): David L. Maurer  
Jeffrey B. Bartell

**PHYSICIANS INSURANCE COMPANY OF WISCONSIN, INC.**  
1002 Deming Way, P.O. Box 45650  
Madison, WI 53744-5650

Toll Free  
1.800.475.6748

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
**on**  
**October 21, 2004**

To the Shareholders of  
Physicians Insurance Company of Wisconsin, Inc.

A Special Meeting of Shareholders of Physicians Insurance Company of Wisconsin, Inc., (the "Company") will be held on Thursday, October 21, 2004, at 1:30 p.m., at the Holiday Inn, 1109 Fourier Drive, Madison, Wisconsin. The purpose of the meeting is to consider and vote on the following matters described in the accompanying Amended Proxy Statement:

1. A proposal to amend the Company's Articles of Incorporation (a) to change the designation of the existing common stock to "Class A Common;" (b) to create a new class of common stock consisting of 1,000,000 shares having equal voting rights with the Class A Common (except as required by law), but without dividend or other cash distribution rights, to be designated "Class C Common," and (c) to create a new class of preferred stock consisting of 500,000 shares to be issued in one or more series, the terms, conditions, designations, preferences, limitations and relative rights of which to be established by the board of directors.


2. Any matters incidental to the foregoing, and to transact such other matters as may properly come before the meeting and any adjournment or adjournments thereof. As of the date of this notice, the board of directors knows of no other business that may be brought before the meeting.

The board of directors has fixed September 9, 2004, as the date of record for the determination of shareholders entitled to notice of and to vote at the meeting. Only holders of record of common shares on that day will be entitled to vote.

If shareholders approve the amendments to the Articles of Incorporation, the Company intends to proceed with its plan for the exchange or purchase of common stock under which each shareholder will be offered the opportunity to retain his or her shares of common stock, exchange the common shares for Series A Cumulative Preferred shares, or sell the common shares to the Company for cash, all subject to the terms and conditions as described in the accompanying Amended Proxy Statement and the enclosed revised "2004 PIC WISCONSIN Shareholder Value Plan Summary."

Directors and Officers of the Company will be present at the meeting to answer questions and to discuss the proposed amendments to the Articles of Incorporation and the plan for purchase or exchange of stock. You are welcome and urged to attend the meeting. If you are unable to attend, please sign, date, and return the enclosed proxy as soon as possible to ensure that your shares are voted according to your preference. The proxy is revocable and will not affect your right to vote in person at the meeting, should you decide to attend.

Sincerely yours,



WILLIAM J. LISTWAN, M.D.  
Chairman

September 13, 2004

PLEASE SIGN AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. **THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY.** YOUR IMMEDIATE ATTENTION IS APPRECIATED. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.

**PHYSICIANS INSURANCE COMPANY OF WISCONSIN, INC.**

1002 Deming Way, P.O. Box 45650

Madison, WI 53744-5650

Toll Free

1.800.475.6748

**AMENDED PROXY STATEMENT FOR SPECIAL MEETING  
TO BE HELD OCTOBER 21, 2004**

This Amended Proxy Statement is furnished to the holders of common shares of Physicians Insurance Company of Wisconsin, Inc. (the "Company"), in connection with the solicitation of proxies to be used in voting at the Special Meeting of Shareholders to be held on October 21, 2004. **The enclosed proxy is solicited by the board of directors of the Company.**

The shares represented by the accompanying proxy will be voted if the proxy is properly signed and received by the Company prior to the meeting. Where a directive is specified on any proxy as to the vote on any matter to come before the meeting, the proxy will be voted in accordance with such directive. A shareholder submitting the enclosed proxy has the power to revoke it at any time before it is exercised by filing a written notice thereof with the Secretary of the Company at the Company's address or in person at the meeting, orally notifying the presiding officer during the meeting, or delivering a duly executed proxy bearing a later date. Shareholders who attend the meeting may revoke their proxies and vote in person without affecting any vote previously taken.

As of June 30, 2004, members of the Company's management and board of directors own, in the aggregate, approximately 2.2 percent of the outstanding shares. They intend to vote them in favor of the proposed amendments.

**VOTING RIGHTS**

Under its Articles of Incorporation, the Company has one class of capital stock. Each common share is entitled to one vote on all matters brought before the shareholders.

September 9, 2004 has been fixed as the record date to determine shareholders entitled to vote at the Special Meeting. Only holders of record of the Company's common shares on that day will be entitled to vote. As of June 30, 2004, the Company had outstanding and entitled to vote 19,622 shares of its common stock held by approximately 1,176 shareholders.

A resolution approving the proposed amendments to the Articles of Incorporation described in the following section of this Amended Proxy Statement must be adopted by the affirmative vote of a majority of the common shares represented at a meeting at which a quorum is present. A majority of the common shares, represented at a meeting in person or by proxy, constitutes a quorum. The board of directors intends that the shares represented by proxies will be voted, unless otherwise directed, to approve the amendments described herein.

The Company's officers and directors collectively own a total of 334.82 restricted and 99 unrestricted shares of its common stock. The table below shows the share ownership of the officers and directors:

Name	Position	Common Shares Beneficially Owned as of June 30, 2004	
		Restricted Shares Awarded Under Long-Term Stock Plan	Unrestricted Shares
Steven C. Bergin, M.D.	Director	0	0
Christopher J. Brady	Vice President of Healthcare Facilities and Secretary	45.78	0
Ronald H. Dix	Director	21	0
Karen B. Maclay	Director	0	0
Kevin T. Flaherty, M.D.	Director	0	0
Kerry M. Kravik	Vice President of Risk Finance & Classic Insurance	4.04	5
William J. Listwan, M.D.	Director	23	46
David L. Maurer	CFO and Treasurer	50.95	45
Carol M. Meils, M.D.	Director	6	0
William T. Montei	President, CEO and Director	88.62	0
Penelope R. O'Hara	Vice President of Claims	12.88	0
Andrew J. Policano, Ph.D.	Director	21	0
Andrew F. Ravenscroft	Vice President of Operations	7.99	0
Thomas A. Reminga, M.D.	Director	0	0
Richard G. Roberts, M.D., J.D.	Director	21	3
Ayaz M. Samadani, M.D.	Director	0	0
Matthew J. Wahoske	Vice President of Third Party Administration	11.56	0
Michael A. Wilson	Director	21	0

The Company's directors and officers who are shareholders have an interest, by virtue of their beneficial ownership of the Company's common stock, in the proposed amendments to the Articles of Incorporation, because (as for all shareholders) the results will affect their ownership of the Company. The Shareholder Value Plan will provide all shareholders the opportunity to realize value for their shares. Any change in the book value of the Company's stock that results from a change in the Company's capital structure may affect the value of the restricted shares owned by the Company's directors and officers under the Company's Long-Term Stock Plan, and may affect the value of unrestricted shares owned by all shareholders, including directors and officers.

During 2003 and the first eight months of 2004, none of the Company's Directors or Officers had any interest, direct or indirect, in any material transaction, or any proposed transaction, as to which the Company or any of its subsidiaries was or is to be a party, and no options to purchase securities of the Company were granted to or exercised by the Directors or Officers.

#### AMENDMENTS TO ARTICLES

The Company's common stock was offered and sold from 1986 through 1990 to licensed physicians and certain associated medical professionals who purchased the shares as a condition of becoming policyholders of the Company's medical professional liability insurance. Because the Company has never paid cash dividends to its stockholders and there is no trading market for the shares, the Company's board of directors has considered various means of providing shareholders with an opportunity to realize value for their shares. In 1994 and again in 1998, the Company made an offer to purchase a limited amount of its common shares from shareholders who wished to sell. Those who accepted the offer were paid cash for their shares and were no longer shareholders of the Company, although many remained policyholders. In 2003, the Company sought, but did not receive, shareholder approval to amend the Company's Articles of Incorporation in the same manner as is proposed herein. The 2003 proposal was intended to provide shareholders an opportunity similar to that described herein. Upon the shareholders' rejection of the 2003 proposal, the Company's board of directors examined the reasons why that proposal failed to win shareholder approval and revised the plan in an effort to address many of those objections.

The Company's common stock is held by physician policyholders, by clinics, hospitals and other health care entities on behalf of physician employees, partners or members, by former policyholders, and by some family members and beneficiaries of the foregoing. The Company's board of directors believes there continues to exist a desire on the part of many shareholders of the Company to realize value for their shares and is proposing a revised shareholder value plan that will provide all shareholders an opportunity to (1) retain their shares of common stock and receive a one-time \$200 per share cash dividend, (2) sell their shares of common stock for \$2,200 cash per share; or (3) exchange their shares for newly created shares of preferred stock called "Series A Cumulative Preferred." If the amendments to the Company's Articles of Incorporation described in this Amended Proxy Statement are approved, the Company's board of directors intends to proceed with a stock purchase and exchange plan as described in the accompanying "Revised 2004 PIC WISCONSIN Shareholder Value Plan Summary" (the "Shareholder Value Plan" or the "Plan") and send it to each shareholder for his or her

consideration and individual decision. If the amendments to the Articles of Incorporation are not approved, the board of directors will not take action on the Shareholder Value Plan.

The proposed amendments to the Company's Articles of Incorporation would create two new classes of stock: a class of preferred stock from which the board of directors would establish and authorize the issuance of shares of a Series A Cumulative Preferred; and a new class of common stock to be designated "Class C Common." The proposed amendments would not alter the rights of the existing common shares, but these shares would be designated "Class A Common." These amendments to the Articles of Incorporation are proposed in order to give effect to the proposed transaction described in the following section of this Amended Proxy Statement entitled "Shareholder Value Plan."

The Series A Cumulative Preferred shares would have a face value of \$2,200, pay dividends at a rate of 4.0% per year (\$88.00 per share), and have a preference over common stock in liquidation. These shares would have voting rights of one-half (1/2) vote for each Series A Cumulative Preferred share; however, if the dividends payable on the Series A Cumulative Preferred shares are 90 days or more in arrears, the shares would have the same voting rights as the Class A Common shares, and they would retain those voting rights as long as dividends remained unpaid. There would be no transfer restrictions on the Series A Cumulative Preferred shares. The Company would have no obligation to redeem these shares (except in the event of the death of the shareholder), but would have a right to redeem them after 20 years, and may offer to redeem them at any time and from time to time. Preferred shares would be redeemed at their face value (\$2,200), plus one half the future accumulated percentage increase in statutory surplus up to a maximum share price of \$3,200.

The new Class C Common shares would have no economic rights, including no right to any dividend or any other cash distribution, whether prior to or upon the Company's dissolution. These shares would be restricted and could be transferred only to the Company. Class C Common shares would have the same voting rights as Class A Common shares, meaning that Class A Common and Class C Common shares would be voted as a single class of stock, except when required by law to be voted as separate classes (such as when a proposed transaction would prejudice the rights or preferences of the Class C Common).

#### **SHAREHOLDER VALUE PLAN**

Assuming approval of the amendments to the Articles of Incorporation as described in this Amended Proxy Statement, the Shareholder Value Plan will be mailed to shareholders within several weeks of that approval. The general terms and procedures of the Plan are as follows:

Shareholders would be entitled to select among the following choices: (1) retain their current Class A Common shares and receive a one-time \$200 per share cash dividend; (2) sell their Class A Common shares for cash in the amount of \$2,200 per share (subject to the limitations described below); or (3) exchange each share of Class A Common for one share of Series A Cumulative Preferred, with a face value of \$2,200. For every share of Class A Common purchased for cash, one share of Class C Common will be issued to the newly-created Wisconsin Physician Policyholders Trust (the "Policyholder Trust") described below.

The Company's cash available to purchase shares of common stock is limited to \$17 million, or a total of 7,727 shares at \$2,200 per share (the "Purchase Limit"). Shareholders owning ten or fewer shares of common who wish to sell their shares for cash will be entitled to have all of their shares purchased. For shareholders owning 11 or more shares who elect to have their common shares purchased, but whose shares cannot be purchased because of the Purchase Limit, the Company would purchase their shares pro rata based upon the number of shares offered and the available funds. Any unpurchased shares of common stock would be exchanged share-for-share, for preferred shares. Shareholders owning 50 or fewer shares of common who elect to sell or exchange their shares would be required to tender all of their shares for sale or exchange. However, holders of 51 or more shares of common would be permitted to elect a combination of cash and preferred shares in exchange for their common, or they may choose to retain a portion of their common shares.

The Policyholder Trust has been established to provide a broad and balanced governance structure and to permit the Company's Wisconsin physician policyholders to share in control of the Company. For every share of Class A Common that is purchased for cash, one share of Class C Common will be issued to the Policyholder Trust. Similarly, as the Company redeems shares of Series A Cumulative Preferred Stock from time to time, one share of Class C Common will be issued to the Trust for every share of Series A Cumulative Preferred that is redeemed. All shares of Class C Common held by the Policyholder Trust will be voted by the three trustees (the "Trustees") on all matters, including the election of directors of the Company. Trustees may nominate candidates for director with the concurrence of more than 50 percent of the beneficiaries of the Policyholder Trust, *i.e.*, the Company's Wisconsin policyholders.

The Policyholder Trust will continue in effect for twenty-five years (with automatic ten-year extensions thereafter) or unless terminated earlier by agreement of the Company and the unanimous approval of the Trustees or upon dissolution or liquidation of the Company. Upon termination of the Policyholder Trust, all assets held by the Policyholder Trust, including the Class C Common stock, will be returned to the Company.

The Trustees have a fiduciary duty to the Company's Wisconsin physician policyholders, and will vote the Class C Common stock in the best interests of those policyholders. In addition, the Trustees will be required to seek guidance (a "preference vote") from the policyholders whenever voting the Class C Common stock, and to cast the Class C Common stock votes in accordance with the preference vote. Class C Common stock for which a preference vote is provided would be voted by the Trustees in proportion to the preference votes that were received from policyholders, including abstentions. The proportion of Class C Common stock (if any) for which no preference vote is received from policyholders would be voted in the Trustee's discretion. Thus, all Class C Common stock would be voted on all matters.

The initial Trustees will be appointed by the Company's board of directors. Successor Trustees will be nominated by the Company's board of directors or upon a petition signed by at least 15 percent of the Company's Wisconsin physician policyholders, and will be elected by the policyholders to serve three-year staggered terms of office, with a limit of two full terms. All Trustees must be physicians, and at least one must be a policyholder. Each policyholder will have one vote in the election of the Trustees.



The board intends to complete all stock purchases and exchanges under the Plan as soon as possible after regulatory review is completed. In addition, the Board intends to declare a one-time \$200 per share extraordinary dividend on the remaining Class A Common shares immediately following completion of the purchases and exchanges, subject to approval by the Office of the Commissioner of Insurance. The Board does not anticipate declaring any further dividends on the Class A Common shares in the foreseeable future.

#### OTHER BUSINESS

The board of directors knows of no other business that may be brought before the Special Meeting of Shareholders. If any other matters shall properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment on such matters.

IF ANY SHAREHOLDER HAS QUESTIONS ABOUT MATTERS DISCUSSED IN THIS AMENDED PROXY STATEMENT, HE OR SHE IS URGED TO CALL THE COMPANY'S PRESIDENT AND CEO, BILL MONTEI, OR ITS CFO, DAVE MAURER TOLL FREE AT 1-800.475.6748. IN ADDITION, SHAREHOLDERS ARE WELCOME TO ATTEND THE SPECIAL MEETING OF SHAREHOLDERS SCHEDULED TO BE HELD ON THURSDAY, OCTOBER 21, 2004, 1:30 P.M. AT THE HOLIDAY INN, 1109 FOURIER DRIVE, MADISON, WISCONSIN FOR FURTHER EXPLANATION AND DISCUSSION PRIOR TO THE VOTE.

IT IS IMPORTANT THAT PROXIES BE RETURNED AS SOON AS POSSIBLE. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO COMPLETE, DATE, SIGN, AND RETURN THE PROXY IN THE ENCLOSED SELF-ADDRESSED ENVELOPE.

THANK YOU FOR YOUR PROMPT ATTENTION TO THIS MATTER.

By Order of the Board of Directors,



WILLIAM J. LISTWAN, M.D.  
Chairman

**Common Shares Proxy For October 21, 2004 Special Meeting**

**PHYSICIANS INSURANCE COMPANY OF WISCONSIN, INC.**

**IMPORTANT PROXY INSTRUCTIONS**

PLEASE VOTE, SIGN AND RETURN THE ABOVE CARD IMMEDIATELY.

1. The Proxy card must be signed by the shareholder. Clinic Administrators, corporate officers, executors, trustees and others signing as a representative should indicate their title or capacity.
2. Please indicate any address change on the card.
3. Thank you for your prompt response. We have enclosed a pre-addressed, postage-paid envelope for your convenience.

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.**

The undersigned shareholder of Physicians Insurance Company of Wisconsin, Inc. (the "Company") hereby appoints William T. Monte and Christopher J. Brady or either one of them as Proxies, with full power of substitution, for and in the name of the undersigned as attorney and proxy, to vote all of the Common Shares of the Company that the undersigned would be entitled to vote if personally present at the Special Meeting of Shareholders of the Company to be held October 21, 2004, and at any adjournments thereof, as follows:

1. On the question of a proposal to amend the Company's Articles of Incorporation (a) to change the designation of the existing common stock to "Class A Common;" (b) to create a new class of common stock consisting of 1,000,000 shares having equal voting rights with the Class A Common (except as required by law), but without dividend or other cash distribution rights, to be designated "Class C Common," and (c) to create a new class of preferred stock consisting of 500,000 shares to be issued in one or more series, the terms, conditions, designations, preferences, limitations and relative rights of which to be established by the board of directors:

"FOR" the amendments

"AGAINST" the amendments

2. In their discretion, to vote upon such other matters as may properly come before the Meeting. At the time this Proxy was printed, the Board of Directors was not aware of any other matters to be presented for action at the Meeting.

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

When signing as attorney, officer, administrator or guardian, please give full title. All joint owners must sign.

**REVISED**  
**2004 PIC WISCONSIN**  
**Shareholder Value Plan Summary**

- **Creation of Series A Preferred.** The 2004 PIC WISCONSIN Shareholder Value Plan contemplates the creation of a new class of preferred stock, the terms of which would be established by the Board of Directors, called "Series A Cumulative Preferred." The Series A Cumulative Preferred shares would have a face value of \$2,200 and would pay dividends at a rate of 4.0 percent per year (\$88 per share). These shares would have a liquidation preference over the common stock. The preferred shares would carry the equivalent of one-half the voting power per share of the common stock and would vote on all matters presented to common stockholders, including the election of directors. However, if dividends payable on the preferred shares are 90 days or more in arrears, the shares would have the same voting power as the common shares, and they would retain that voting power as long as dividends remained in arrears. There would be no transfer restrictions on the preferred shares. The Company would have no obligation to redeem these shares, except upon the death of the holder, but would have a right to redeem them after 20 years, and may offer to redeem them at any time and from time to time. Preferred shares would be redeemed at their face value (\$2,200), plus one half the future accumulated percentage increase in statutory surplus up to a maximum share price of \$3,200.
- **Creation of Class C Common.** The Plan also contemplates the creation of a new Class C Common stock which will be placed in a Trust to be voted in the interests of Wisconsin physician policyholders. These Class C Common shares would have no economic rights, including no right to any dividend or other cash distribution, whether prior to or upon the Company's dissolution. The shares would be restricted and could be transferred only to the Company. Class C Common shares would have the same voting rights as Class A Common shares, meaning that Class A Common and Class C Common shares would be voted as a single class of stock, except when required by law to be voted as separate classes (such as when a proposed transaction would prejudice the rights or preferences of the Class C Common).
- **Amendment of Articles.** The creation of both Series A Cumulative Preferred and Class C Common would be accomplished by amendment of the Company's articles of incorporation, which requires approval by a majority of the common shares of the Company's common stock represented at a shareholders meeting at which a quorum is present.
- **Shareholder Choices.** Under the 2004 Plan, the shareholders would be entitled to retain their current common shares and receive a one-time \$200 per share dividend,

exchange each share of common for one share of newly-created Series A Cumulative Preferred, or surrender their common shares for cash in the amount of \$2,200 per share.

- Retain current common shares. Shareholders who wish to keep their current common shares (which will be called "Class A Common") need do nothing. They will continue as common stockholders of the Company and will receive a one-time \$200 cash dividend per share.
- Cash sale. Shareholders who wish to sell their shares of common stock will send their stock certificate(s) with a signed stock power to the Company. If the shares are purchased (see discussion of cash purchase limitations below), they will receive a check from the Company for \$2,200 per share, after which they will no longer be a shareholder of the Company.
- Exchange for Series A Cumulative Preferred. Shareholders who exchange their common stock for preferred shares will receive one share of preferred, face value of \$2,200, for each common share exchanged. The preferred shares pay a dividend of 4 percent per annum and ordinarily have one-half the voting power of the common. When the preferred shares are redeemed, the shareholder will receive \$2,200 per share, plus one-half of the future accumulated percentage increase in statutory surplus up to a maximum share price of \$3,200.
- Cash Purchase Procedure. The Company's cash available to purchase shares of common stock is limited to \$17 million, or a total of 7,727 shares at \$2,200 per share (the "Purchase Limit"). Shareholders owning 10 or fewer shares of Class A Common who wish to sell their shares for cash will be entitled to have all of their shares purchased. For shareholders owning 11 or more shares who elect to have their common shares purchased, but whose shares cannot be purchased because of the Purchase Limit, the Company would purchase their shares pro rata based upon the number of shares offered and the available funds. Any unpurchased shares of common stock would be exchanged share-for-share, for preferred shares. Shareholders owning 50 or fewer shares of Class A Common who elect to sell or exchange their shares would be required to tender all of their shares for sale or exchange. However, holders of 51 or more shares of Class A Common would be permitted to elect a combination of cash and Series A Cumulative Preferred shares in exchange for their Class A Common, or they may choose to retain a portion of their Class A Common shares.
- Wisconsin Physician Policyholder Trust. The Policyholder Trust is intended to provide a broad and balanced governance structure and to permit the Company's Wisconsin physician policyholders to share in control of the Company. The term "policyholder" includes certificate holders under a master policy. For every two

shares share of existing Class A Common that are is purchased for cash, one share of new Class C Common will be issued to the Trust. In addition, for each two shares share of Series A Cumulative Preferred stock that are is redeemed by the Company from time to time, one share of Class C Common will be issued to the Trust. All shares of Class C Common held by the Trust would be voted by the Trust's trustees (the "Trustees") on all matters, including the election of directors of the Company. The Trust could nominate candidates for director with the concurrence of more than 50 percent of the beneficiaries of the Trust, *i.e.*, the Company's Wisconsin physician policyholders.

- **Voting of Class C Common.** The Trustees would have a fiduciary duty to the Company's Wisconsin physician policyholders, and would vote the Class C Common stock in the best interests of those policyholders. In addition, the Trustees would be required to seek guidance (a "preference vote") from the policyholders whenever voting the Class C Common shares, and to cast the Class C share votes in accordance with the preference vote. Class C shares for which a preference vote is provided would be voted by the Trustees in proportion to the preference votes that were received from policyholders, including abstentions. The proportion of Class C shares (if any) for which no preference vote is received from policyholders would be voted in the Trustees' discretion. Thus, all shares of Class C Common would be voted on all matters.
- **Qualifications and Election of Trustees.** The Trust would be administered by three Trustees, all of whom must be physicians, and at least one of whom must be a policyholder. No Trustee may serve as, or be affiliated with, a director of the Company, and no director may serve as, or be affiliated with, a Trustee. The Company's board of directors will nominate candidates for Trustee with preference given to persons who have previously served either as a director of the Company or as a physician officer of the Wisconsin Medical Society. In addition, 15 percent of the Company's Wisconsin physician policyholders could nominate additional candidates for Trustee. Trustees would be elected by a plurality vote of the beneficiaries of the Trust (policyholders) to serve three-year staggered terms of office (one Trustee elected each year), with a limit of two full three-year terms.
- **Policyholder Rights.** Each policyholder would have one vote in the election of the Trustees. Trustees and policyholders may attend and participate in any shareholder meeting of the Company, but Class C Common shares may be voted only by the Trustees as provided above. As indicated above, policyholders will be requested to provide guidance or "voting preferences" to the Trustees regarding all matters on which the Class C Common shares are to be voted. In addition, 15 percent of the policyholders, upon signed written petition, may nominate candidates for election as Trustee, and the Trustees, with the concurrence of 50 percent of the policyholders, may nominate candidates for election as directors of the Company.

September 13, 2004

Dear Shareholder:

Early last month, we wrote to you about our Shareholder Value Plan. Due to recent events, we have determined that a change to the proposed Plan is needed. This means that the proxy, which many of you already have returned, must be discarded, new proxies submitted, and the special shareholder meeting date changed. Here's what happened:

After we sent out the proxy materials, we learned that several large clinics, among our largest shareholders, have initiated contact with medical liability insurance companies domiciled outside the state of Wisconsin. The purpose of this contact was to solicit bids for their stock. The potential for PIC WISCONSIN to have a significant ownership by a competitor insurance company headquartered outside Wisconsin has caused us to reconsider the terms of the Shareholder Value Plan. It was our intention when we initiated this Plan that the original purpose of PIC WISCONSIN -- to establish a stable insurance company that creates value for Wisconsin physicians -- was preserved. That was the goal in asking for your proxy approval to create the Class C stock and issue it to a newly established Wisconsin Physician Policyholder Trust.

In light of recent events, the Board of Directors determined that in order to achieve our original intention, it is in the best interest of the Company and its policyholders that we shift the balance of voting power further toward the Class C stock and Wisconsin physician policyholders. Thus, instead of issuing one share of Class C stock for every *two* shares redeemed, we now propose to issue one share of Class C for every *one* share redeemed. This will give the Trust, which acts in the interests of Wisconsin physician policyholders, more authority in the governance of the Company. We believe this will help preserve the balance necessary to protect the interest of Wisconsin physician insureds.

For many of you who are interested in selling your shares back to the Company, the proposed changes have no material effect on the value of your shares or your ability to receive cash for your shares. However, for that option to exist, the Plan must be approved, and we urge you to return the enclosed proxy with your vote for or against the Plan.

In order to provide adequate time for everyone to consider this change, and to return the revised proxies, we have changed the date of our special shareholder meeting. It was originally scheduled for Wednesday, September 22, 2004, and we have now rescheduled it for Thursday, October 21, 2004.

To assist you in identifying the revised documents, all of the enclosed documents have been printed on blue paper. They include a revised *Notice of Special Meeting of Shareholders*, announcing the new meeting date, an *Amended Proxy Statement*, a new proxy, and a *Revised 2004 PIC WISCONSIN Shareholder Value Plan Summary*, with the changes to the Plan marked.

Please return the enclosed proxy as soon as possible whether or not you have already returned a proxy and whether or not you will attend the meeting. We will discard all previously received proxies and count only the revised proxies that are returned. Proxies returned by mail should be mailed by October 15 to ensure arrival by the meeting date.

All materials related to the Shareholder Value Plan, including the contents of this mailing, will be available on the shareholder website – [svp.picwisconsin.com](http://svp.picwisconsin.com). We are available to answer questions (800.475.6748) about this proposed change to the plan, or to answer other questions about the basic plan as previously distributed to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard G. Roberts". The signature is written in a cursive, flowing style.

Richard G. Roberts, M.D., J.D.  
Vice Chairman